

Introduced by Senator Chesbro

February 23, 1999

An act to amend Section 25503.30 of the Business and Professions Code, relating to alcoholic beverages.

LEGISLATIVE COUNSEL'S DIGEST

SB 607, as introduced, Chesbro. Alcoholic beverages: tied-house restrictions.

The Alcoholic Beverage Control Act contains so-called tied-house restrictions, which generally prohibit a manufacturer, winegrower, manufacturer's agent, California winegrower's agent, rectifier, distiller, bottler, importer, or wholesaler from, among other things, holding the ownership, directly or indirectly, of any interest in any on-sale or off-sale license, licensee, or licensed premises. Existing law contains various exemptions from this restriction on tied interests, including an exception permitting any winegrower, or its direct or indirect subsidiaries, as specified, to hold an ownership interest or financial or representative relationship in any on-sale license or the business conducted under that license, provided that certain conditions are met. One condition is that the on-sale licensee purchases all alcoholic beverages sold and served only from California wholesale licensees.

This bill would revise this condition to require that the on-sale licensee purchase all alcoholic beverages sold and served only from California wholesale licensees or licensed winegrowers.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 25503.30 of the Business and
2 Professions Code is amended to read:
3 25503.30. (a) Notwithstanding any other provision of
4 this division, a winegrower or one or more of its direct or
5 indirect subsidiaries of which the winegrower owns not
6 less than a 51 percent interest, who manufactures,
7 produces, bottles, processes, imports, or sells wine and
8 distilled spirits made from grape wine or other grape
9 products only, under a winegrower's license or any other
10 license issued pursuant to this division, or any officer or
11 director of, or any person holding any interest in, those
12 persons may serve as an officer or director of, and may
13 hold the ownership of any interest or any financial or
14 representative relationship in, any on-sale license, or the
15 business conducted under that license, provided that,
16 except in the case of a holder of on-sale general licenses
17 for airplanes and duplicate on-sale general licenses for air
18 common carriers, all of the following conditions are met:
19 (1) The on-sale licensee purchases all alcoholic
20 beverages sold and served only from California wholesale
21 licensees *or licensed winegrowers*.
22 (2) The number of wine items by brand offered for
23 sale by the on-sale licensee that are produced, bottled,
24 processed, imported, or sold by the licensed winegrower
25 or by the subsidiary of which the winegrower owns not
26 less than 51 percent, or by any officer or director of, or by
27 any person holding any interest in, those persons does not
28 exceed 15 percent of the total wine items by brand listed
29 and offered for sale by the on-sale licensee selling and
30 serving that wine.
31 (3) None of the persons specified in this section may
32 have any of the interests specified in this section in more
33 than two on-sale licenses.
34 (b) The Legislature finds that, while this section
35 provides a limited exception for licensed winegrowers,

1 that limited exception is granted for specific purposes,
2 and that it is also necessary and proper that licensed
3 winegrowers maintain the authority granted under this
4 division to sell wine and brandy to any individual
5 consumer or any person holding a license authorizing the
6 sale of wine or brandy.

7 (c) The Legislature finds that it is necessary and
8 proper to require a separation between manufacturing
9 interests, wholesale interests, and retail interests in the
10 production and distribution of alcoholic beverages in
11 order to prevent suppliers from dominating local markets
12 through vertical integration and to prevent excessive
13 sales of alcoholic beverages produced by overly
14 aggressive marketing techniques. The Legislature
15 further finds that the exceptions established by this
16 section to the general prohibition against tied interests
17 must be limited to their express terms so as not to
18 undermine the general prohibition, and the Legislature
19 intends that this section be construed accordingly.

